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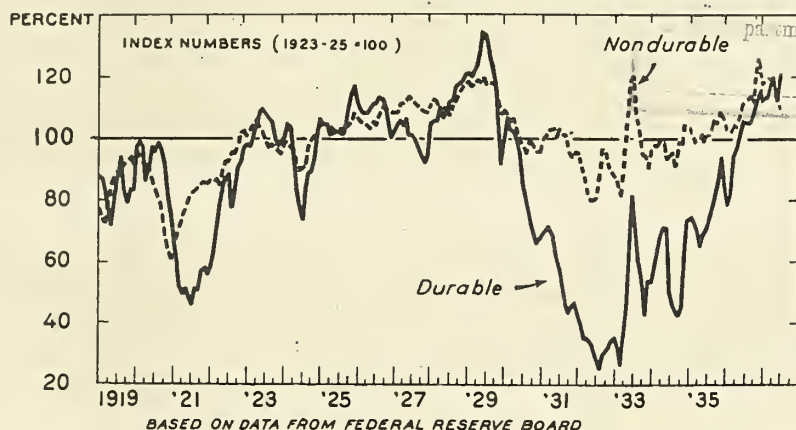
THE DEMAND AND PRICE SITUATION

BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C.

SEPTEMBER 1937

Industrial Production of Durable and Nondurable Products, 1919 to Date

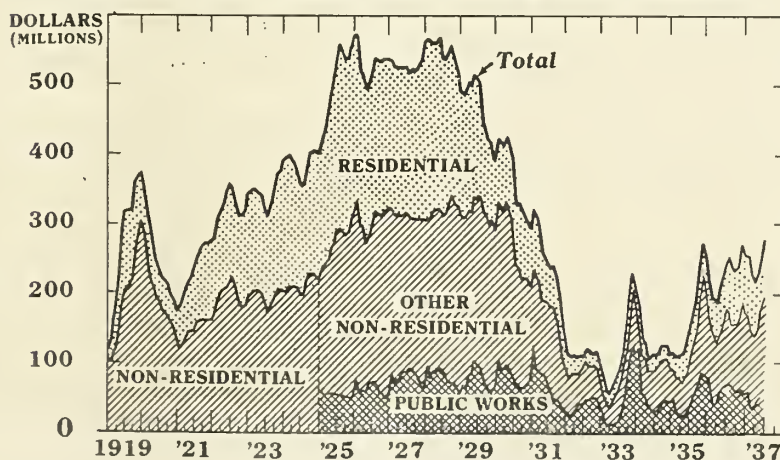


U. S. DEPARTMENT OF AGRICULTURE

NEG. 2805 B BUREAU OF AGRICULTURAL ECONOMICS

Construction Contracts Awarded, 1919 to Date*

3-MONTHS MOVING AVERAGES ADJUSTED FOR SEASONAL VARIATION



* VALUE OF CONTRACTS AWARDED IN 37 STATES

U. S. DEPARTMENT OF AGRICULTURE

NEG. 31779-B BUREAU OF AGRICULTURAL ECONOMICS

DOMESTIC DEMAND

Consumer buying power and the demand for farm products are expected to be fairly well maintained during the last quarter of 1937. General business activity continued at a relatively high level during most of July and early August, after allowance for seasonal influences, but some slackening appears to have occurred in recent weeks. The pick-up in industrial activity which usually occurs in the fall may be less than was anticipated by most forecasters a month ago, and there may even be some further recession.

Substantial declines in production in some industries have been partly offset by prolonged activity in the output of automobiles, steel and lumber. Steel and lumber mills have been running off unfilled orders with dwindling backlogs. Contract awards for residential construction have continued disappointing in volume. Wholesale and retail trade has either decreased, or increased less than expected, and inventories in several lines of producers and consumers' goods are reported large for this season of the year. Pessimism is prevalent in financial markets. Bond sales on September 4 were the lowest in 19 years.

Automobile production in July was higher than in June and above a year earlier, and production in August declined considerably less than usual. Some apprehension is felt, however, as to the effect on sales of a general rise in prices of automobiles. A significant development in this connection is the recent restriction on terms for financing household appliances and the proposed restrictions on new and old automobile financing.

Considerable reduction has occurred in woolen and cotton mill activity; also in the production of coal, shoes, automobile tires, and furniture. The recent recession in cotton mill activity was contra-seasonal. Cloth sales have been running well below production despite further declines in prices of some cotton goods, pointing to the possibility of a further decline.

Some of the bright spots in the business outlook include the settlement of many labor controversies and the sustained farm buying power. Larger crops should bring a welcome addition to freight traffic, and may lessen the pressure for higher freight rates. The recent general reductions in rediscount rates to the lowest level in central bank history will help to insure easy credit even at this advanced stage of business recovery. Commodity prices rallied a little last week after declining since July. A considerable increase in demand for steel is expected soon for the production of 1938 model automobiles. Factory, commercial, and utility construction has continued well above last year's level.

During the past summer industrial output has been maintained with little more than seasonal reductions, to a considerable extent by using up unfilled orders representing a heavy volume of advance buying last spring, and also by accumulating stocks in preparation for the expected pick-up in fall business. The present volume of industrial production cannot be continued,

much longer without a material increase in new buying, and the outlook for the next few months depends largely upon the extent and timing of new business which normally comes in the fall. In view of the lag between changes in business activity and in consumer incomes and demand for farm products, no great changes in the latter are likely during the remainder of 1937.

FOREIGN DEMAND

Indications point to well sustained business activity in most foreign industrial countries. Although prices of agricultural products have declined, there is little danger of an early setback in the prosperity of primary producing countries where increased buying power has helped materially to raise the volume of exports from industrial nations. Activity in the industries furnishing armaments will be well maintained, and should continue for some time to take up the slack in some other lines.

The unsettled situation in the Far East and Europe has disturbed world trade somewhat. The budget strain in Japan is causing some fear of further credit inflation there, and bankers in this country are hesitant to finance trade with Japan because of the possibility that the Neutrality Act might be invoked. Our importers have been unable to supply their needs of Oriental rugs, novelties, earthen and chinaware from China and are looking elsewhere for such goods. Tungsten, for which China is the main source, has shot upward in price as have some other Chinese products.

Business conditions in Europe have been well maintained during the summer months and improvement in the fall months is expected. European countries have had a flourishing tourist business this year. In Germany, the volume of industrial production and building activity increased in July and unemployment has declined to a low level. In England, export and metal industries have been very active whereas textiles have experienced a summer lull. Building activity in England has slowed down and a lower level is looked for next year. Business activity in Austria, Belgium, Holland, and Poland is considerably above a year ago. In France, on the other hand, industrial production has actually declined in recent months.

The economic situation in the major South American countries is good and the outlook is considered favorable.

During the first half of 1937 our merchandise trade balance showed an excess of imports over exports of \$147,000,000. Imports of industrial raw materials have been heavy with a considerable accumulation of stocks. Indications point to smaller imports of such products in the last half of 1937.

Another reason for this fairly large important balance is the rise in the average unit price of imports relative to our exports. When compared with 1929, however, the unit price of imports is still below the unit price of exports.

The volume of United States exports of agricultural products in July fell to a new low level of 37 percent of the 1910-14 average. A rise in agricultural exports is expected as a result of larger crops of cotton, wheat and some other products. Unless Russian wheat exports increase materially there should be a good foreign demand for our surplus wheat. It therefore appears probable that we may have an export trade balance or at least a much lower import trade balance in the next 6 months.

WHOLESALE PRICES

The general level of wholesale prices declined from 88 in mid-July to 86 percent of the 1926 average in early September, the lowest level since March. This decline, while very moderate in late July and early August, became more abrupt in recent weeks.

The decline from mid-July to early September was occasioned largely by a drop of 7 percent in prices of farm products, particularly grain and cotton prices. Prices of nonagricultural commodities declined only moderately in these 7 weeks, with substantial decreases in prices of chemicals, textiles and miscellaneous commodities more than offsetting slight gains in prices of metals, housefurnishing goods, fuel and hides. Food prices have fluctuated within a narrow range in recent weeks.

The ratio of wholesale prices of farm products to wholesale prices of nonagricultural products for the week ended September 4 was 91 percent of the pre-war level, compared with 95 for the corresponding week last year and 93 two years ago.

Wholesale prices in the major foreign countries, like those of the United States, have generally weakened since early August. Prices in France, however, have continued on an upward trend since the franc depreciation in June.

Prior to the recent price decline, the movement in these same countries had been generally upward. The combined index of wholesale prices in the currencies of seven foreign countries, which are important markets for American farm products, increased in July to 89 percent of the 1926 level, the highest in more than 7 years, and 13 points higher than a year earlier.

PRICES RECEIVED AND PAID BY FARMERS

The general level of prices received by farmers for farm products in mid-August was 123 percent of pre-war compared with 125 percent in July and with 124 percent in August 1936. Preliminary estimate of prices paid by farmers for commodities in August was 132 percent of pre-war compared with 133 percent in July and 126 percent a year earlier. The ratio of prices received to prices paid by farmers was 93 in August, which was one point lower than in July and 5 points less than in August 1936.

The trend of market prices since mid-August indicates that the general level of prices received by farmers in mid-September is somewhat lower than a month ago. Prices of cotton, grains, and hogs have declined considerably during the past month.

Prices of farm products in the next few months are expected to average about the same as in mid-September, with seasonal advances in prices of dairy products and eggs, and possibly some recovery in prices of other products offsetting declines in prices of some commodities.

FARM INCOME

Farm income did not make the usual seasonal increase from July to August but apparently was about the same as in July and nearly \$100,000,000 larger than in August 1936. The failure of farm marketings to make the normal seasonal increase from July to August this year was largely due to the unusually heavy movement of wheat during July resulting in the peak movement of grains coming in July instead of August. Income from grains, however, was substantially larger than in August 1936. Income from cotton and cottonseed in August was also somewhat higher than a year ago in spite of the relatively low prices.

The marked decline in income from grains was partly offset by the contraseasonal increase in income from meat animals. Marketings of livestock increased somewhat from the unusually low level in July, which together with higher prices, made income from meat animals in August somewhat higher than in July, whereas there is usually some decline in income from livestock sales from July to August. Dairy production in July was slightly higher than a year ago and prices also were up slightly, so that income was higher than last year and made only about the usual seasonal decline from July to August.

WHEAT

Foreign demand for United States wheat during the past month has continued very small, and wheat prices may remain unsettled until foreign purchases are increased. Any substantial increase in exports, in turn, may be expected to be accompanied by rising prices. Importing countries thus far have been drawing heavily on their domestic supplies and making purchases of Danubian and Russian wheat. Present crop estimates indicate that the Danubian countries will have about 25 million bushels less wheat for export than last year. The apparently good 1937 crop in Soviet Russia, however, and the high level of prices favor fairly large Russian exports this year. Judging from the experience of recent years of good crops (in 1933 and 1935), Soviet wheat exports are not likely to exceed 30 to 40 million bushels. Nevertheless, the possibility of the Soviet Government attempting somewhat larger exports, particularly if the crop outturn should exceed that of 1935, or, on the other hand, deciding to export less, must not be overlooked. Assuming that exports from Soviet Russia will approximate those of 1933 and 1935, present supply prospects in other countries indicate that relatively large quantities of United States wheat will be required this season by importing countries.

World wheat supplies outside of Soviet Russia and China now appear likely to be about 45 million bushels larger than the small supplies of last year. Such an increase, even if world consumption should be reduced, may be expected to still leave a world carry-over at the end of the year considerably below normal. World stocks of old wheat on about July 1, excluding Soviet Russia and China, are tentatively estimated at 525 million bushels, which is about 235 million bushels less than last year and about 120 million bushels below the 1923-27 average. World wheat production, excluding Soviet Russia and China, for 1937-38 is now estimated at 3,817 million bushels, or 280 million bushels more than that of last year. The Northern Hemisphere crop, excluding Soviet Russia and China, is estimated to be 3,380 million bushels, which is about 315 million bushels above the 1936 production. On the basis of weather conditions, a production of 220 million bushels is indicated for Argentina, which is about 30 million bushels less than last year; and about 150 million bushels is indicated for Australia, practically the same as last year.

RICE

Rice prices continued downward during July and August, reaching the lowest level since December 1935. Lower prices are largely the result of a continuation of favorable prospects for the 1937 crop together with large stocks carried over from 1936. Threshing has been delayed in the Southern States as a result of rain which also has lowered the quality of early rice in many areas. In view of the prospective large crop and carry-over, some

further recession in prices may be expected during the next month or two, as the 1937 crop comes to market. The seasonal average price probably will be considerably lower in both California and the Southern States than a year ago.

On the basis of September 1 conditions, the Southern crop was indicated to be 11,500,000 barrels, 17 percent above the 1928-32 average, and the California crop 2,800,000 barrels, 37 percent above the 1928-32 average, making a total for the United States of 14,300,000 barrels. A crop of this size together with the large August 1 stocks would give a total supply of more than 16,500,000 barrels compared with 13,870,000 barrels last year, and is the largest for the past 18 years for which records are available.

Foreign demand has shown some improvement in recent weeks with rice prices advancing in the Far East. Exports of rice to Cuba have increased considerably since the agreement permitting a special duty of 42 cents per 100 pounds on American rice was made early in August. Present indications are that exports of rice in 1937-38 will be somewhat larger than the small total of 65,000,000 pounds exported in 1936-37. Shipments to insular territories in 1936-37 totaled 296,000,000 pounds, which were slightly larger than shipments for the preceding year, but slightly below the 1928-29 to 1932-33 average.

CORN AND OTHER FEED GRAINS

During the last half of August and early September, cash corn prices continued a downward trend, while prices of oats and barley were practically unchanged. Important factors influencing lower corn prices apparently were the larger available supplies of other feed grains and heavy importations of corn. Imports of corn amounted to 15,735,000 bushels in July, which was the largest monthly total on record. Cash corn prices will decline during the next 2 or 3 months as the new corn crop begins moving to market. Prices of oats and barley may show some seasonal advancement, as it appears that they are now at about the low point for the present marketing season.

Although there were small reductions in the prospective crops of corn and grain sorghums during August, it is now practically assured that supplies per animal will be at least near average. The indicated corn production declined from 2,659,000,000 bushels to 2,549,000,000 bushels, while oats showed a slight increase and barley a slight decrease. The deterioration of the corn crop during August was confined largely to Nebraska, where a reduction of 105,000,000 bushels occurred in the prospective production. On the basis of September 1 indications, the total production of the four feed grains, corn, oats, barley, and grain sorghums amounts to 97,786,000 tons, which is about 3 percent smaller than the 1928-32 average.

Imports of corn, which have been unusually large so far this marketing year, will probably drop off sharply during the next few months as prices

of domestic corn decline. A sharp reduction in wheat feeding is also to be expected when new corn is harvested and corn prices again become relatively lower than wheat prices. Although no statistics are yet available on the rate of utilization of the new oats and barley crops, the relatively low price of these grains as compared with that of corn indicates an above-average disappearance since the beginning of the 1937-38 marketing season. In this case stocks of oats and barley on October 1 may be smaller than the 1937 production figures would indicate. There was little change in the prospects for the 1937 hay crop during August, and prospective total supplies, including the September 1 indicated production and the May 1 stocks, remained about the same as the 1928-32 average and about 8 percent larger than last year.

FLUE-CURED TOBACCO

Although the increase in total supplies of flue-cured tobacco this year appears to be a little larger than is necessary to keep pace with increasing consumption, prices so far this season have been holding up fairly well compared with prices in 1936.

According to September 1 estimates, total production this year will be about 810 million pounds, 32 million pounds larger than the August 1 estimate. This increase is due largely to improved production prospects for type 11 in North Carolina and Virginia, and to an upward revision in the estimate for type 14 in Georgia.

Stocks on July 1 of this year were 863 million pounds, 12 million larger than last year. With the indicated production 127 million pounds above 1936 production, the total supply this year is up 139 million pounds. In the light of consumption trends, it is probable that an increase of a little over one-half this quantity would have been sufficient to keep prices closely in line with those of last year.

With more than 83 million pounds of type 14 tobacco sold on the Georgia markets from July 29 to August 27, the average price was 19.6 cents per pound compared with 21.0 cents in the same period last year. To date, type 13 prices have generally been slightly higher, grade for grade, than corresponding prices last year; but prices on type 12 markets have tended to be a little lower. Type 11 markets are scheduled to open on September 16 in the Middle Belt, and on September 30 in the Old Belt.

COTTON

The downward movement of prices which began in late July carried the 10-market average to 8.88 cents on September 11 - the lowest daily average in 4 years. Spot prices at the 10 markets averaged 10.23 cents in August compared with 12.12 in July and 12.07 in August 1936. The averages for the weeks ended September 4 and 11 were 9.20 and 9.05 cents, respectively. The dominant price-depressing influence has continued to be the generally favorable growing conditions affecting the United States crop. Other factors have been the slackening rate of domestic mill activity, the downward tendency in the prices of the leading internationally traded commodities, and military operations in the Orient.

The indicated production of cotton on September 1, according to the Crop Reporting Board, was 16,098,000 bales of 478 pounds net. This is an increase of 505,000 over that indicated as of August 1. A final outturn of this amount would mean the largest United States cotton production since 1931-32. The indicated yield per acre of 228.5 pounds is the highest on record.

With the world carry-over of American cotton on July 31 preliminarily estimated at approximately 6 million bales, the estimated world supply of American for the 1937-38 season is 22,100,000 bales. This is about 2,750,000 more than the supply in 1936-37, approximately 2,400,000 more than the 1935-36 supply, but more than 3,800,000 bales less than the record high supply of 1931-32 and 1932-33.

The Commodity Credit Corporation announced on August 30 that it will lend producers of the 1937 crop 9 cents per pound on 7/8 Middling and better, with smaller loans for the shorter staples and lower grades. No cotton will be eligible for a loan which is of a grade not deliverable on futures contracts, and no loan will be made on 13/16 cotton below Middling grade.

Growers who cooperate in a Government control program for 1938 are to receive adjustment payments on at least 65 percent of their base production. The payment per pound will be equal to the differences between the 10-market price on the day when the producer sells his cotton and 12 cents, except that the maximum payment will be 3 cents per pound.

WOOL

The domestic wool situation has not changed materially in the past month. Trading in the domestic market was light in August but prices remained firm. The domestic price outlook for the next few months is somewhat uncertain because of the recent weakness in foreign markets. But with supplies in the United States and foreign countries below average, little change is expected in domestic prices in the remainder of 1937.

The outlook for the new-selling season in the Southern Hemisphere is uncertain at the present time because of the possibility that Japan may not be as active in the wool market as had been expected. The season opened at Sydney, Australia on August 30. Prices at the opening were slightly higher than at the close of the previous season in June and were 20 to 25 percent above the opening prices of the 1936-37 season, but prices declined slightly during the first week of the sales.

Consumption of apparel wool by United States mills declined further in July, and it was 17 percent smaller than that of July last year. Total mill consumption on a scoured basis for the first 7 months of this year, however, was 11 percent larger than in the same period of 1936. Although a seasonal increase in consumption is expected in the next few months, mill consumption in the remainder of 1937 is not likely to be so large as in the same months of 1936.

World supplies of wool in 1937-38 are likely to be about the same as last season when they were below average. There has been some tendency for mill consumption of wool in several foreign countries to decline in recent months, but in most countries it is still relatively high.

HOGS

With the market movement of spring pigs already under way in some areas, a seasonal increase in slaughter supplies of hogs is expected during the last quarter of 1937. Hog prices probably will decline seasonally within the next 3 or 4 months. It is possible, however, that the decline this fall will begin somewhat later than usual, perhaps occurring mostly from November through January, rather than from October through December, as is usually the case. With a much larger corn crop this year than last, it is expected that the hog-corn price ratio in the coming fall and winter will be relatively favorable for hog feeding. Hogs probably will be fed to heavier weights, thereby resulting in delayed marketings. Market supplies during the period from October through December are likely to be considerably smaller than those of a year earlier and probably will represent a relatively small proportion of the total supply for the 1937-38 marketing year.

Prices of hogs declined sharply in the last half of August. The drop in prices apparently was the result of an increase in slaughter supplies in the last half of the month over the first half, a fairly large movement of hog products out of storage into consumption channels, and relatively high temperatures prevailing over most of the country. In early August the top price of hogs at Chicago reached \$13.75, but by early September the Chicago top was about \$2 per 100 pounds lower than that of a month earlier.

Although market supplies of hogs increased materially in the last half of August, the increase was from a very low level. For the entire month inspected hog slaughter totaled about 1,590,000 head, which was slightly smaller than that of July and was the smallest for August since 1902. In late July and early August weekly hog marketings reached the lowest level thus far in the current marketing year. By late August and early September, however, the weekly slaughter of hogs was about the same as in early July, when prices were not greatly different from those of early September but considerably lower than those of early August.

CATTLE

Prices of well-finished slaughter cattle are likely to be maintained at a relatively high level until increased supplies become available next winter and spring, when it is probable that prices of such cattle will decline materially. Supplies of grain-fed cattle are now much smaller than a year ago, but a considerable increase in cattle feeding is expected to occur this fall and winter, chiefly because of the much larger feed grain

supplies this year than last, and relatively large profits from cattle feeding operations in the last 6 months. Prices of the lower grades of slaughter cattle may show little or no seasonal decline in the next few months, with some advance possible. The strong demand for stocker and feeder cattle in prospect for this period will be a strengthening influence on prices of the lower grades of slaughter cattle.

Prices of choice and prime grade slaughter steers at Chicago advanced sharply from June through August. The top price paid for well-finished steers at Chicago reached \$18.75 per 100 pounds in early September, which was the second highest price paid for cattle at that market in September on record. The marked shortage of grain-fed cattle in the slaughter supply was largely responsible for the sharp rise in prices of such cattle. Prices of the lower grades of slaughter cattle declined slightly in August as a result of a seasonal increase in marketings. Prices of stocker and feeder cattle, however, advanced in late July and early August. The average price of stocker and feeder steers in Kansas City in August was \$8.58 compared with \$5.53 a year earlier.

Slaughter supplies of cattle increased seasonally from July to August. Inspected cattle slaughter in August totaled 880,000 head, 11 percent more than a month earlier but 13 percent fewer than in August 1936. Inspected calf slaughter, totaling 538,000 head, was 4 percent larger than that of a month earlier but slightly smaller than that of a year earlier. Slaughter supplies of both cattle and calves in August were considerably larger than the 1924-33 average for the month.

LAMBS

Prices of lambs are expected to continue near present levels during the next few months. The effect of the probable seasonal increase in total marketings on prices of sheep and lambs this fall is likely to be about offset by the strong demand for feeder lambs in prospect in the Corn Belt and perhaps in other areas. Prices of feeder lambs are expected to be high relative to prices of slaughter lambs during the fall months. Consumer demand for lamb probably will not change greatly during the remainder of 1937.

The average price of Good and Choice lambs per 100 pounds at Chicago for August was \$10.78, 6 cents lower than that for July and \$1.25 higher than for August 1936. The average for the week ended September 11 was \$10.32. Prices on feeder lambs and breeding ewes in August were high relative to prices for slaughter kinds. At Omaha and Denver prices of feeder lambs in August were from \$1.50 to \$2 higher than a year earlier, with the spread between prices of feeder and slaughter lambs about half that of August 1936. Although an unusually large portion of western lambs were contracted by mid-August, there was some further contracting of lambs in Utah and Wyoming in late August at firm to slightly higher prices.

Slaughter of sheep and lambs under Federal inspection in August, totaling nearly 1,500,000 head, was 8 percent larger than in July and 7 percent larger than in August 1936. Supplies of native lambs increased at Corn Belt markets, and range lambs, many of which were in good flesh were plentiful at western markets during August.

Marketings of sheep and lambs from the 13 Western States, August to December this year, are expected to be about 2 percent smaller than for the comparable period in 1936. Most of the decrease is expected to be in the number of ewes marketed, with the number of lambs marketed being little different this fall from that of a year earlier.

BUTTER

Butter prices rose in August and early September, but averaged less than a year earlier. It seems probable that there will be a rise in prices during the remainder of the year, and that prices during the last quarter of the year will average higher than in the same period of 1936. During the 1937-38 feeding period it appears probable that prices will average higher than a year earlier and the highest since 1929-30.

Butter production in July was about 10 percent larger than the low production in July 1936, but except for 1936 the lowest for the month since 1932. In the fall of 1936, after the drought was broken, butter production was unusually high. While production in July 1937 was decidedly larger than a year earlier, it is not probable that this increase will be maintained during the late summer and fall. The relatively large production of feed grains and hay per animal unit indicate heavier feeding during the coming winter than a year earlier and some increase in butter production compared with the winter of 1936-37.

Butterfat prices are low in relation to livestock prices. With the marked increase in feed supplies there will be more of an incentive to increase production of meat animals than dairy products.

Cold storage holdings of creamery butter on September 1, which is usually the seasonal peak, were larger than the small holdings a year earlier, but somewhat below the average of the 5 preceding years and 10 percent less than the 1925-29 September 1 average.

POULTRY AND EGGS

Important developments in the poultry and egg situation in August were: (1) a sharp rise in the farm price of chickens; (2) a less-than-average reduction in storage stocks of eggs; (3) a less-than-average seasonal rise in the farm price of eggs.

The rise of the farm price of chickens to its highest point in 1937 at a time when chicken prices usually decline was due to the failure of poultry receipts to show their usual seasonal increase. Chicken prices are expected to remain above those of 1936 during the rest of 1937.

With large storage stocks of eggs moving rather slowly, so that the effect of these stocks may be intensified in the late fall or early winter, the farm price of eggs during the rest of 1937 is not expected to exceed that of 1936. In early 1938, however, the anticipated relatively light production resulting from a prospective reduction in laying flock size is likely to raise egg prices above those of early 1937.

The feed-egg price situation, from the producer's standpoint, is expected to improve steadily, but during the remainder of 1937 the situation is not likely to become as favorable as the 1925-34 average for this period.

APPLES

Growing conditions continued favorable during August in most of the important apple producing districts, and indications on September 1 pointed to a total crop slightly larger than the August 1 estimate. Total production is now indicated at 204,319,000 bushels, compared with 117,506,000 bushels produced in 1936 and the 1931-35 average production of 160,909,000 bushels.

In the Atlantic Coast region the 1937 crop is indicated at more than 93 million bushels, which is nearly double the small crop of last year and more than a third larger than the 1931-35 average. The crop of 58 million bushels in the Central States is nearly three times as large as the 1936 crop and 45 percent above average. In the Western States, production is now indicated at 53 million bushels; larger than last year's crop but about the same as the 1931-35 average.

During recent weeks carlot shipments of apples from Central and Eastern States have continued a little heavier than last year, and the season total through September 4 this year is about a third greater than for a corresponding period in 1936. Total shipments from the Western States have been lighter this year than last, due largely to a late season, but shipments of California Gravensteins were nearly a fourth greater than in 1936.

The harvest of California Gravensteins is nearly completed, and it appears that auction prices of this variety for the 1937 season will average considerably less than for last season. Prices of eastern varieties in wholesale markets are also considerably below last year's prices and are expected to continue so during the remainder of the marketing year. In other years of large crops, apple prices have usually reached a season low point in September or October, with the seasonal rise thereafter less than average. It seems likely that such will be the case this year.

GRAPES

Indications on September 1 point to a total grape crop of 2,574,000 tons. This is slightly larger than that indicated on August 1, and is the largest total production since 1928. The indicated 1937 crop is a third larger than the relatively small crop of last year and a fourth larger than the 1931-35 average production.

California prospects are above average for each class of grapes, with wine and raisin varieties showing the largest increases. The total California crop of 2,262,000 tons is 32 percent greater than the 1936 crop and 29 percent above the 1931-35 average. The prospective large crop is partly offset, however, by a very small carry-over of old raisins and smaller stocks of wine and brandy, than were on hand a year ago. Total supplies of grapes and grape products in sight for the 1937 marketing year, therefore, are not quite so large as prospective production alone would indicate. The level of consumer purchasing power is materially higher than last year, which points to a better demand for table grapes and grape products, and the demand of both raisin packers and vintners is also likely to be better this year than in 1936. It is likely that improvement in demand will largely offset the price-depressing influence of larger supplies, and the average price to growers of all California grapes combined this year may be only slightly lower than that of last year.

The grape crop in the other States (American type grapes) is indicated at 312,170 tons, compared with 202,460 tons last year and the 1931-35 average of 292,394 tons. Most of these grapes are marketed fresh, and the general improvement in consumer purchasing power means a better demand for them than last year. It is not likely, however, that increased demand will entirely offset the price-lowering influence of larger supplies and greater competition from California grapes, and prices to growers of American type grapes are likely to average slightly below those of last season.

POTATOES

Potato prices at market centers rose slightly during the latter part of August, but lost most of the advance during the first 2 weeks of September. The decline at Chicago in recent weeks brought prices down to a new low level for the season, and was due in part to a seasonal adjustment of Chicago prices to those in New York. During the next few weeks, further adjustments may be expected to bring Chicago prices below New York prices, which in the second week of September were quoted at 90 cents per 100 pounds wholesale. Chicago averaged about \$1 for comparable varieties of potatoes. On the basis of the present crop outlook, not much change in the level of potato prices is in prospect for the next few months.

Crop prospects on September 1 were little different from those of August 1. The total United States potato crop was indicated to be about 403 million bushels, 22 percent more than in 1936 and 8 percent more than the average crop. Slight decreases from a month ago were reported for some sections, but these were offset by slight increases in other areas. In the eight eastern late States, production is now indicated to be 114 million bushels, or about 10 million above average. In the 10 central States, the prospect is for 124 million bushels, or only about 2 million above average, while in the 12 western late States it is 91 million bushels, or about 17 million above the 1928-32 average production.

Marketing of the intermediate crop is about completed, while harvesting of the early varieties in the late States is getting well started. Shipments from the late States are expected to increase sharply in the next few weeks. About 1,900 cars were shipped by rail or boat from the late States during the week ended September 4, compared with 1,600 the preceding week.

TRUCK CROPS

The reported condition (in the field) of nearly all the commercial truck crops declined moderately to sharply during August, partly because of unfavorable weather in some sections. But the total supply of vegetables for the fall market is still indicated to be about one-fourth greater than average. Plantings were increased this year, and above-average yields are being obtained for most crops. The late onion crop will be smaller than the record production of last year, but cabbage, celery, and tomatoes show considerable increases. Most vegetables for canning, quick-freezing, and other manufacture are in ample supply, record production being reported for some crops.

As harvesting of the late crops began and as the season for summer vegetables and home-grown crops approached its end, considerable shifting of prices occurred. During the latter part of August and in early September, there were marked price advances in city distributing centers for lima beans, cantaloups, lettuce, and spinach, with small temporary advances for cabbage, celery, green peas, tomatoes, and turnips. Prices declined rather sharply for eggplant, peppers, and sweetpotatoes, with moderate declines for practically all other truck crops. Onion prices held fairly steady, on reports of smaller production this autumn.

The truck crops showing largest carlot movement during early September were lettuce, onions, muskmelons, tomatoes, and sweetpotatoes, with a fairly liberal movement of cabbage, celery, cucumbers, and watermelons. Shipments of vegetables from fall harvesting will gradually increase from now through October.

Business statistics relating to the demand for farm products, specified periods
(corresponding data for past years were given in table attached to annual outlook report on demand for 1937)

Year and month	Nation- al	Non- agri- cultural income	Indus- trial pro- duction	Build- ing con- tracts awarded	Factory employ- ment	Income of indus- trial pro- duction workers	Foreign indus- trial pro- duction	All commod- ity prices	Prices received by farmers	Prices paid by farmers	Ratio of prices received to prices paid
Base period	1929	1924-29	1923-25	1923-25	1923-25	1924-29	1923-25	1910-14	1913	1910-14	1910-14
1929	100	107	119	117	105	106	136	139	166	146	153
1930	93	100	96	92	91	87	124	126	158	126	145
1931	78	86	81	63	77	67	111	107	130	87	124
1932	62	68	64	28	66	46	97	95	108	65	107
1933	57	63	76	25	72	48	107	96	105	70	109
1934	64	72	79	32	82	60	116	109	117	90	123
1935	68	77	90	37	86	67	124	117	127	108	125
1936	76	87	105	55	92	77	134	118	130	114	124
Mar.		82	93	47	88	71	130	116	125	104	121
Apr.		83	101	47	89	73	134	116	126	105	121
May		84	101	46	90	75	134	115	127	103	121
June		85	104	52	90	75	132	116	133	107	120
July		87	108	59	91	77	134	118	133	115	123
Aug.		87	108	62	94	78	135	119	133	124	126
Sept.		88	109	59	96	77	138	119	134	124	127
Oct.		90	110	57	97	81	139	119	131	121	127
Nov.		93	114	58	97	84	141	120	131	120	127
Dec.		101	121	66	98	87	142	123	131	126	128
1937 Jan.	93	93	114	63	96	87	143	125	134	131	130
Feb.	95	95	116	62	99	88	142	126	134	127	132
Mar.	96	96	118	55	101	91	145	128	135	130	132
Apr.	97	97	118	55	102	94	146	128	136	134	134
May	97	97	118	55	102	95	147	128	137	134	134
June	97	97	114	61	101	94	147	127	137	124	134
July	93	93	114	68	102	95	147	128	136	125	133
Aug.					102	95	147	128	135	123	132